

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 91-006-E - ORDER NO. 91-1077✓

DECEMBER 2, 1991

IN RE: Adjustment of Base Rates for Fuel) ORDER APPROVING
Costs for Duke Power Company) BASE RATES FOR
) FUEL COSTS

On November 20, 1991, the Public Service Commission of South Carolina (the Commission) held a public hearing on the issue of the recovery of the costs of fuel used in electric generation by Duke Power Company (the Company) to provide service to its retail electric customers. The procedure followed by the Commission is set forth in S.C. Code Ann., §58-27-865 (Cum. Supp. 1990).

At the public hearing, William F. Austin, Esquire, and Karol P. Mack, Esquire, represented the Company; Nancy Vaughn Coombs, Esquire, represented the Intervenor, the Consumer Advocate of South Carolina; and Marsha A. Ward, General Counsel, represented the Commission Staff. The record before the Commission consists of the testimony of two witnesses on behalf of the Company, two witnesses on behalf of the Commission Staff, and three hearing exhibits.

Based upon the evidence of the record, the Commission makes the following findings of fact and conclusions of law:

1. The record of this proceeding indicates that for the period from April 1991 through September 1991 the Company's actual

total fuel costs for its electric operations amounted to \$364,818,033. Hearing Exhibit No. 3, Accounting Exhibit E.

2. Staff reviewed and compiled a percentage generation mix statistic sheet for the Company's fossil, nuclear and hydraulic plants for April 1991 through September 1991. The fossil generation ranged from a high of 42% in September to a low of 26% in April. The nuclear generation ranged from a high of 70% in April to a low of 57% in September. The percentage of generation by hydro ranged from 1% to 4% for this period. Hearing Exhibit No. 3; Electric Department Exhibit No. 3.

3. During the April 1991 through September 1991 period, coal suppliers delivered 4,510,269 tons of coal at a weighted average received cost per ton of \$45.86. The Commission Staff's audit of the Company's actual fuel procurement activities demonstrated that the average monthly received cost of contract coal varied from \$46.90 per ton in August to \$49.71 per ton in April. Hearing Exhibit No. 3, Accounting Exhibit A.

4. The Commission Staff conducted an extensive review and audit of the Company's fuel purchasing practices and procedures for the subject period. The Staff's accounting witness, I. Curtis Price, testified that the Company's fuel costs were supported by the Company's books and records. Testimony of Price; Hearing Exhibit No. 3.

5. The Commission recognizes that the approval of the currently effective methodology for recognition of the Company's fuel costs requires the use of anticipated or projected costs of

fuel. The Commission further recognizes the fact inherent in the utilization of a projected average fuel cost for the establishment of the fuel component in the Company's base rates that variations between the actual costs of fuel and projected costs of fuel would occur during the period and would likely exist at the conclusion of the period. Section 58-27-865, supra, establishes a procedure whereby the difference between the base rate fuel charges and the actual fuel costs would be accounted for by booking through deferred fuel expenses with a corresponding debit or credit.

6. The record of this proceeding indicates that the comparison of the Company's fuel revenues and expenses for the period April 1991 through November 1991 produces an over-recovery of \$14,876,308 through November 1991. Watts testimony, p. 5.

7. The Company's projected average fuel expense for the December 1991 through May 1992 period is 1.2166 cents per KWH. However, when adjusted by the cumulative variance of fuel cost recovery, the adjusted fuel costs are 1.0549 cents per KWH. Stimart testimony, pp. 9-10.

8. Company witness, W. R. Stimart, Vice President of Rates and Regulatory Affairs, proposed that the Commission approve a fuel component in base rates of 1.00 cent/KWH, effective December 1991. Stimart testimony, p. 10.

9. The Commission's Staff witness A. R. Watts, Chief of the Electric Department, demonstrated that the projected fuel cost for the six-month period ending May 1992, and the projected cumulative over-recovery of \$14,876,308 would be recovered by the

establishment of a fuel component of 1.0493 cents per KWH in the base rates. The Commission Staff recommended that the fuel component in the base rates be reduced to 1.00 cent per KWH. This recommendation is in keeping with the spirit of the statute to allow utilities to recover prudently incurred fuel cost "in a manner that tends to insure public confidence and minimize abrupt changes in charges to consumers." This recommendation will also tend to limit fluctuations in the fuel factor over the long term.

10. Based on the testimony of Staff witness Watts and by Motion of counsel for Staff, the Commission finds that any ruling on the nuclear outage at Oconee Unit #1 commencing in August 1991 will not be determined in this proceeding but will be ruled upon after receiving corresponding testimony and evidence in the next fuel proceeding of Duke Power Company.

11. The Commission has carefully reviewed the proposals advanced by the Company and the Commission Staff in regard to an adjustment to the fuel component in the Company's base rates. Based upon our full review of the record in this proceeding, the Commission is of the opinion, and so finds, that the recommendations as proposed by the Company and the Staff are fair and reasonable and should herein be approved, effective commencing with the Company's December 1991 billing cycles. Based upon the projected fuel costs and energy sales through the next six months, the operation of a fuel component of 1.00 cents per KWH will produce a cumulative under-recovery of fuel cost in an amount of \$4,534,997 for the period ending May 1992. The Commission

considers that the adoption of this fuel cost level herein will serve to encourage the Company to continue its efforts in the exercise of reasonable prudence and efficiency in its fuel purchasing practices.

IT IS THEREFORE ORDERED:

1. That a fuel component of 1.00 cent per KWH be, and hereby is, approved for Duke Power Company, effective on bills rendered on and after the first billing cycle of December 1991.

2. That Duke Power Company file with the Commission for approval, within fifteen (15) days of the date of this Order, rate schedules designed to incorporate our findings herein and an Adjustment for Fuel Costs, as demonstrated in Appendix A, attached hereto and incorporated by reference.

3. That the Company comply with the notice requirements set forth in S.C. Code Ann., §58-27-865 (A) (Cum. Supp. 1990).


4. That the Company continue to file the monthly reports previously required.

5. That the Company account monthly to the Commission for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit.

6. That the Company submit monthly reports to the Commission of fuel cost and scheduled and unscheduled outages of generating units with a capacity of 100 MW or greater.

7. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

DUKE POWER COMPANY
Adjustment for Fuel Costs

APPLICABILITY

This adjustment is applicable to and is a part of the Utility's South Carolina retail electric rate schedules.

The Public Service Commission has determined that the costs of fuel in an amount to the nearest one-thousandth of a cent, as determined by the following formula, will be included in the base rates to the extent determined reasonable and proper by the Commission for the succeeding six months or shorter period:

$$F = \frac{E}{S} + \frac{G}{S_1}$$

Where:

F= Fuel cost per Kilowatt-hour included in base rate, rounded to the nearest one-thousandth of a cent.

E= Total projected system fuel costs:

(A) Fuel consumed in the Utility's own plants and the Utility's share of fuel consumed in jointly owned or leased plants. The cost of fossil fuel shall include no items other than those listed in Account 151 of the Commission's Uniform System of Accounts for Public Utilities and Licensees. The cost of nuclear fuel shall be that as shown in Account 518 excluding rental payments on leased nuclear fuel and except that, if Account 518 also contains any expense for fossil fuel which has already been included in the cost of fossil fuel, it shall be deducted from this account.

PLUS

(B) Purchased power fuel costs such as those incurred in unit power and Limited Term power purchases where the fuel costs associated with energy purchased are identifiable and are identified in the billing statement.

PLUS

(C) Interchange power fuel costs such as Short Term, Economy, and other where the energy is purchased on economic dispatch basis.

Energy receipts that do not involve money payments such as Diversity energy and payback of storage energy are not defined as purchased or interchange power relative to this fuel calculation.

MINUS

(D) The cost of fuel recovered through intersystem sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

Energy deliveries that do not involve billing transactions such as Diversity energy and payback of storage are not defined as sales relative to this fuel calculation.

S = Projected system kilowatt-hour sales excluding any intersystem sales.

G = Cumulative difference between jurisdictional fuel revenues billed and fuel expenses at the end of the month preceding the projected period utilized in E and S.

S₁ = Projected jurisdictional kilowatt-hour sales for the period covered by the fuel costs included in E.

The appropriate revenue related tax factor is to be included in these calculations.

The fuel costs (F) as determined by Public Service Commission of South Carolina's Order No. 91-1077 for the period December 1991 through May 1992 is 1.000 cent per kilowatt-hour.